

8.5
44f
8.2

2197-B

OFFICE OF PRICE ADMINISTRATION

THE CANADIAN PRICE CEILING

(Foreign Information Series, No. 2)

MAY 14 1942
LIBRARY OF ILLINOIS

DIVISION OF RESEARCH
Price and Economic Policy Branch
April 1942

REVIEW OF RESEARCH

THE CHINESE IN THE UNITED STATES

BY H. H. HUNTER, JR.

REVIEW OF RESEARCH

THE CHINESE IN THE UNITED STATES

BY H. H. HUNTER, JR.

THE CANADIAN PRICE CEILING

TABLE OF CONTENTS

I.	Powers and Administrative Methods of Price Control Agency...	1 - 3
II.	Violations, Offenses, and Penalties.....	3 - 4
III.	Measures Taken to Meet Various Price Control Problems.....	4 -14
	a. Maintenance of Quality and Supply of Low-Priced Goods...	4 - 5
	b. Prevention of Hoarding.....	6
	c. Concentration and Standardization of Production.....	6 - 7
	d. Supplementary Production, Supply, and Manpower Controls.	7 - 8
	e. Enforcement Methods.....	8 -10
	f. Control of Terms or Conditions of Sale and Concealed Price Increases.....	10
	g. Publicity Methods.....	11
	h. Control of Advertising.....	12
	i. Coordination of Supply, Production, Price, and Rationing Controls.....	12 -13
	j. Exemptions and Exceptions.....	13 -14

THE CANADIAN PRICE CEILING

Powers and Administrative Methods of Price Control Agency

Canadian wartime price control has been exercised by virtue of powers authorized primarily by the War Measures Act. ^{1/} This Act grants the Governor-General of Canada unrestricted power to regulate and control (virtually by "decree") all phases of economic activity including production and distribution of all goods and services. As authorized by this Act, price control and rationing are exercised by a price control agency, the Wartime Prices and Trade Board, which has been granted very broad powers to control not only the price but also the supply, production, and distribution of all goods and services. ^{2/} It may fix specific, maximum or minimum prices or markups; prescribe terms and conditions of sale; prescribe kinds, models, types, qualities, sizes, and quantities of any goods and services; control instalment buying and advertising; ration; buy and sell; requisition; and license. The Board is granted unrestricted power to require any person "to produce, manufacture, process, extract, refine, store, transport, supply or otherwise deal with any such goods or services in such manner and in such priority...as may be specified by the Board." It may require any person to perform or to refrain from performing any act in respect of goods and services which is deemed necessary by the Board. Furthermore, the Board may issue regulations applying specifically or generally as it chooses. It may exempt an individual or company in a manner different from the general requirements governing all other persons. The Board has broad powers of investigation and inspection and may require the preservation or preparation of reports and records of any kind. It is charged with the duty of recommending the reduction or removal of duties and taxes and the payment of subsidies as may seem desirable. ^{3/}

In addition to the general powers granted to the Board, it is charged with the administration of the recently instituted price ceiling or Maximum Prices Regulations. ^{4/} These regulations established a ceiling over the prices of all goods and services (with exceptions) ^{5/} as of the prices prevailing during the period September 15--October 11, 1941. The Board, however, at its own discretion, may exempt any goods or services from the ceiling, may extend the ceiling regulations to any goods or services previously exempted, and may vary the maximum ceiling price.

^{1/} Revised Statutes of Canada, 1927, C. 206

^{2/} P. C. 8528, The Wartime Prices and Trade Regulations, November 1, 1941.

^{3/} With the exception of price fixing, final power over which is granted to the Board, the Board must have the concurrence of the Wartime Industries Control Board when it exercises any of its other powers in respect of commodities or services over which a controller has been given jurisdiction. Due to interlocking personnel and close coordination of controls, this restriction of the power of the Board is only nominal.

^{4/} P. C. 8527, The Maximum Prices Regulations, November 1, 1941 (effective December 1)

^{5/} See Section III J in this memorandum.

The "executive order" establishing the Prices Board grants it complete latitude in determining standards and methods. Furthermore, under the provisions of the price regulations, no administrative or judicial review of any Board action is granted. (Information is not available indicating whether or not judicial review is permitted by virtue of other laws or legal precedents but it is confirmed by most Canadian authorities that the opportunity or right to protest or refuse to abide by the Board action would virtually not be recognized or taken advantage of at the present time.)

The Board has delegated most of its powers (subject, of course, to the ultimate review and approval of the Board) to the various commodity Administrators appointed by it. Principles and methods followed are subject to the discretion of the particular administrator and may and do vary greatly with each commodity and industry. Non-price controls in particular are frequently very informal and although it is clear that the Board has broad powers to regulate and in many cases the Board states that such controls are exercised effectively it is frequently impossible to define any specific or uniform standards or methods followed.

Canadian officials have emphasized that contrary to American experience customary administrative procedure in Canada is characterized by its informality and does not involve the prior preparation of detailed regulations. Administrative agencies put a program into operation on the basis of only a few general principles and detailed standards or regulations are drawn up as the occasion arises to meet specific problems.

It should also be pointed out that Canadian controls are largely administered under the direction of the Board by persons selected from industry and trade and to a great extent self-enforced by the industry. This method minimizes the task of administration and enforcement. The interests of the public and the government are adequately protected, however, since final supervision over administration and the formulation of regulations and general policy rests with a Board composed of government officials. Government civil servants and professional and technical persons are also employed in the various commodity and administrative divisions.

Canadian officials have also emphasized the importance of the preventive measures taken by the government. It is pointed out that although the controls instituted have been largely informal and, until recently, selective in character, they have been exercised for some time, in some cases since the war began. In other words, controls over supply and price have been imposed before inflationary tendencies, hoarding and shortages occurred and situations which would have been difficult to control or change did not arise. Control over supply has frequently been instituted before formal price control and has served to postpone and, in some cases, lessen the need for price control which is a more difficult administrative type of control.

It is obvious, moreover, that the problem of control in Canada is on a significantly smaller and simpler scale. Canadian control agencies are dealing with a population only one-twelfth the size of the United States and more homogeneous socially and culturally. Informal controls can be more effective because the controlling agencies are in many instances dealing with

only a few businesses and relatively few individuals. Furthermore, the problem of control in the United States is undoubtedly far more difficult and complicated than a mere comparison of the population and the size of industry would indicate.

Violations, Offenses, and Penalties

Any sale, offer for sale, or purchase of any goods or services contrary to the legal maximum, minimum or specific price defined in the regulations, fixed by the Board, or considered reasonable and just by the Board is a violation of the price regulation. Violations may also consist of: withholding any goods or services from sale or supply for a price higher than the legal maximum or for a price higher than is reasonable or just; accumulating or withholding from sale more than a "reasonable" supply of goods; "unduly preventing, limiting or lessening" the manufacture or distribution of any goods or services; attempting to commit any act preparatory to an offense or aiding the commission of any offense; destroying, altering or secreting any records with intent to evade regulations; impeding or attempting to impede any investigation; and in general of not complying with or attempting to evade any order of the Board prescribing or prohibiting any action.

The penalty for violations is a fine not exceeding \$5,000 or imprisonment not exceeding two years or both. Directors and officers of corporations assenting or acquiescing in any offense by such corporation are guilty individually and cumulatively with the company.

In respect of price violations, the regulations very clearly imply that the Board's determination of what constitutes a legal price and what constitutes a violation is the final legal determination and cannot be reversed by any legal process.

Maximum legal prices under the general Wartime Prices and Trade Regulations and the Maximum Prices Regulations may be defined as follows:

1. For goods sold during the base period (September 15 - October 11), the maximum legal price is the highest price for which each individual seller sold such goods and services during this period.
2. For goods not sold during the base period, and for which no automatic maximum price is therefore fixed, maximum legal prices cannot be higher than base period ceiling prices for similar goods or goods of similar materials.
3. Maximum, minimum or specific legal prices, which may vary from ceiling prices or apply to goods or services exempt from the ceiling and which are established by order of either an administrator or the Board.
4. In addition to legal maximum, minimum or specific prices specifically established by the regulations or by the Board in accordance with the principles listed above, it is illegal for any person to sell or offer for sale goods or services at a price that is higher than that which is reasonable and just.

Furthermore the regulations state that any price fixed by the Board shall be conclusively deemed reasonable and just. In the case of prices not specifically fixed, the burden of proof shall be on the accused to show that the price is reasonable and just. Where the price at which any sale of goods or services was made during the base period is proved by the prosecution, the burden of proof shall be on the accused to prove that this price is not the legal maximum. The burden of proof shall also be on the accused to prove the existence of any relevant and substantial similarity or dissimilarity of the goods or services in cases where the legal price of goods not sold during the base period is in question. If the kind and quality of any goods and services are alleged by the prosecution to be similar or dissimilar, they shall be legally considered as such until the accused proves the contrary. The original or copy of any sales slip, charge slip, invoice, bill, or any other document shall be prima facie evidence that the sale was made. The original or copy of any catalogue, price list, handbill, poster, price tag, or advertisement, etc., shall be prima facie evidence of an offer to sell at that price. ^{1/}

Measures Taken to Meet Various Price Control Problems ^{2/}

a. Maintenance of Quality and Supply of Low Priced Goods

As pointed out above, the Board has power to issue regulations prescribing drastic control measures of this type. Furthermore, the Board has stated that as a definite policy goods must continue to be produced and sold in the various price ranges which existed during the basic period and that the consumer must receive the same value for his money in material, size, quantity, style, workmanship, and intrinsic value. An article made of the same or substantially similar materials cannot be sold at a higher price than any other article sold during the same period, even though the style and appearance may be different.

Recently the Board organized a Simplified Practise Division to promote economies and simplification in the production and distribution of civilian goods and services. According to a policy statement issued, the Board intends to require the concentration on standard price ranges suited to mass demand and if necessary to eliminate higher-price and higher-cost lines if such action would result in greater total volume of production. This program has only recently been organized, but it is reported that drastic programs of simplification and economy are being worked out for many industries. A number of orders have been issued prescribing in detail the sizes, materials, and designs which are permitted in the manufacture of various types of clothing.

^{1/} P. C. 8528 and P. C. 471 (January 26, 1942).

^{2/} A detailed discussion of methods and measures instituted in connection with "rolling back the squeeze" and the payment of subsidies is contained in another memorandum, Subsidies and Enforced Cost Absorption as an Implement of Price Control in Canada, Foreign Information Section, Price and Economic Policy Branch.

The only available instances illustrating the policy and practice of the Board to enforce quality control and prevent a shift in production and distribution from low price to high price goods and areas are unfortunately of rather minor significance. The Retail Trade Administrator has ruled that the quantity of safety pins on a card sold at 5¢ must not be less than contained on the cards sold during the base period. The Administrator of Services ruled against a request of a restaurant that it be allowed to discontinue table d'hote meals. The ruling stated that a balanced meal on an a la carte basis would cost more and that a discontinuance of table d'hote meals would be in effect an increase in price and a violation of the regulations. (This is a good example of the broad latitude possessed by the Board to determine authoritatively the meaning of an order or a regulation and what constitutes a violation). On another occasion, the Administrator of Services ruled that a theater could not increase the number of higher priced seats by decreasing the number of lower priced seats. The Administrator of Hosiery ruled that although hosiery is now manufactured from entirely new materials, no increase in the price range would be permitted. This will require adjustments and reductions in profits at all levels. The Wholesale Administrator ruled that placing a quantity limit on all accepted orders is tantamount to changing the conditions of supply to some customers and "a direct violation of the spirit of the regulations." Although terms and conditions of sale may be altered and prescribed by the Board, sellers may not alter them particularly if they result in increasing the price or in undesirable or unfair changes in conditions of supply.

Information from official sources indicates that the Board intends to enforce the production and distribution through individual outlets of low-priced goods of similar quality to those previously sold at similar prices and in similar or reasonable quantities. Even without a specific ruling for a specific firm, industry or commodity, it would appear highly probable that a violation of these general principles would be considered a violation of the price regulations.

It is reported that the disappearance from the market of low profit goods, particularly in the food line, many of which have a cost advantage to the consumer, has been fairly extensive. This has been one of the few important undesirable effects of the price ceiling which has developed. Although the Board has the power legally to prohibit this development, it is extremely difficult in practice to exercise effective compulsion in this field. It is anticipated, however, that specific measures of control will be taken. Another effect of the price ceiling and one which will remove an important type of low-cost product from the market will be the probable elimination of "bargain sales". This is, of course, a perfectly legal development and represents one of a number of results of a stabilizing and levelling of prices which the consumer may not find to his advantage. There has also been a serious run on consumers' goods of all kinds in the last few months which will probably bring about greater shortages and more immediate rationing than anticipated.

b. Prevention of Hoarding

As discussed above, the Board has broad powers to prevent hoarding and may compel dishoarding. It is the stated purpose of the Board to prevent it and the claim of the Board that it can and does. It is doubtful if any additional uniform measures will be undertaken. Specific instances will be handled individually as the case arises. It is important to realize that in the case of many raw materials and indirectly of manufactured goods, the government, through both the Prices Board and the War-time Industries Control Board (and government corporations), has controlled the supply and allocation since September 1939 and more particularly since June 1940 of the most important materials with the result that hoarding has been prevented to a great extent before it developed and inventories have been controlled and accounted for.

c. Concentration and Standardization of Production

The Board has stated its intention to institute a drastic program of simplification, economy, standardization and rationalization in the production and distribution of civilian goods as an essential factor in the maintenance of the price ceiling.

The objectives of the program have been stated as follows: (1) to secure a greater total amount of civilian production in relation to the human and material resources available after the needs of the armed forces and of Canada's allies have been met; (2) to obtain a greater production of necessary civilian goods through a corresponding reduction in the production of unnecessary civilian goods; (3) to substantially reduce unit costs of operation of manufacturers and merchants and enable subsidies to be avoided, or reduced in amount; (4) to ensure continued and orderly civilian supply; (5) to obtain more effective control of prices and costs.

The following methods are to be used:

1. Reduction in the number of models, varieties, and styles and in the number of sizes and quantities -- higher-price and higher-cost lines will be eliminated. Unnecessary new models will be prohibited. Concentration on standard price ranges suited to mass demand will be enforced.

2. Reduction of production costs -- through reduction of number of models, simplification of models, and economies in purchase of materials since buying may be based on a pooled, long-term, mass quantity and fixed price basis in increasing instances.

3. Reduction of distribution costs -- through elimination of duplication of sales efforts, overlapping markets, and unnecessary transportation. Stocks will not need to be so large; turnovers will be more rapid; the necessity of "markdowns" will be reduced; and unit sales costs may be reduced.

A Simplified Practice Division has been organized to formulate programs of this type. No actual "concentration of production" programs have been instituted and as far as available information indicates, none

contemplated. A number of orders have been issued prescribing detailed regulations for standardization and simplification in the clothing industry. Similar regulations are being worked out for the shoe industry and many other industries. A large part of the work and responsibility in formulating, administering and enforcing these regulations is to rest on Industry Advisory Committees.

One of the largest firms of industrial engineers in Canada is now employed full time by the Board to study industrial conditions and assist in the formulation of programs. The services of other cost accounting and industrial engineering firms are also being increasingly used.

d. Supplementary Production, Supply, and Manpower Controls

Control and allocation of the supply of raw materials and plant facilities for both war and civilian production is jointly handled by the Wartime Industries Control Board (composed of 12 Controllers who exercise broad powers of control over the supply, production, and distribution of raw materials and industrial production) and the Prices Board. The elimination or reduction of consumer goods production has been put into effect by the Wartime Industries Control Board through formal orders prescribing maximum allowable quotas primarily in the form of percentages of previous year's production. Such orders have already been put into effect for a number of consumer durable goods industries.

One of the purposes of the simplification and standardization program of the Wartime Prices and Trade Board is to maximize essential civilian production. (See III c. above.)

Through the Commodity Prices Stabilization Corporation, the Board intends to pay subsidies wherever necessary to maintain essential supply or production without a rise in price. Subsidies in some form or other are being or will be paid either by the Corporation or other agencies to producers of agricultural products. Subsidies for imports are to be paid in the case of grapefruit juice, prunes, tea, cotton, leather hides, rice, an indefinite number of individual commodities not excluded from subsidy, and, according to reports, coal and English china. Domestic subsidies have been authorized for shoe manufacturers, canned fruits and vegetables (1941 pack) and a broad range of specified processed foods and household staples. Subsidies are primarily to be paid to meet increases in import costs since domestic costs will be kept down or reduced by the ceiling or by other restrictive measures of the Board. A wide range of unessential imported civilian goods have been declared ineligible for subsidy. The Board admits that extensive but not exorbitant subsidy payments may be necessary if the retail price freeze is to be maintained.

The Commodity Prices Stabilization Corporation will also exercise the Board's powers of buying and selling and it is anticipated that in lieu of subsidies many imported commodities will be entirely bought and distributed by the Corporation. The entire supply (wholly imported) of such commodities as rubber, silk, and sugar have been for some time purchased and sold only by the government, through specially created agencies.

Some measures have been taken to control manpower. A ceiling has been placed on wages and salaries, regulations prohibiting the "enticement" of labor have been in effect since November 1940, registration and informal regulations controlling the employment of professional technicians are also in operation, and benefits are being paid to encourage the mobility of labor in response to the needs of war production. The Government has been granted by the National Resources Mobilization Act of June 1940 broad powers to mobilize and control manpower. The increasing shortage of labor (e.g. agricultural labor) not only for war production but also for civilian production has resulted in increasing opinion favoring direct control of manpower. A recent order-in-council prohibits the transfer of any male "mainly" employed in agriculture on March 23, 1942, to any employment outside agriculture unless permission is granted by the National Selective Service Advisory Board, established on March 21, 1942. In order to increase the numbers of men available for services in the armed forces, in war industry, or in other essential occupations, an order-in-council of March 21 prohibits the entry of men of military age (between 17 and 45) and physically fit into a broad range of "restricted occupations", e.g. clerical and sales positions, any occupation in wholesale or retail trade, advertising and real estate, any occupation directly associated with recreational, entertainment, and personal services, any occupation in the manufacture of confectionery, bakery products, textile products, leather and fur products, furniture and upholstering, printing, publishing and engraving, and certain durable and unessential consumer goods. As a result of this, virtually all able-bodied men will be either drawn into the armed forces or employed only in essential war production. In announcing this program of mobilization of manpower to the Canadian Parliament, Prime Minister Mackenzie King stated that "It may...become necessary as an essential war service, also to require skilled workmen in certain categories to remain in their existing occupations in war industries or to move from one war industry to another, or to remain in certain essential civilian occupations."

e. Enforcement Methods

The Commissioner of the Combines Investigation Act has been appointed by the Board as Administrator in charge of enforcement. The enforcement staff is small, including only 95 inspectors and a total staff of 125. The board has announced its intention to use the inspection and enforcement services of other agencies, e.g., Bureau of Weights and Measures, but no steps have yet been taken to put this into effect. The main means of enforcement is reliance on consumer complaint and cooperation and voluntary industrial compliance.

Since the Board estimates that 80% of the Nation's consumer buying power is expended by housewives, special emphasis is being placed on educational campaigns among women's organizations. A Consumers' Representation Branch has been formed and is headed by the editor of one of the leading women's magazines. Thirteen regional committees have been set up. All women's service and charity groups are being circularized, regional rallies are being organized, and liaison officers have been appointed between the Board and the National Women's Councils.

When the ceiling was first imposed, the Board placed advertisements in all newspapers throughout the country urging women to cooperate in securing compliance by keeping a record of the prices they paid for goods in the base period and a record of prices they now pay and reporting violations. As a result of this and in response to many requests, a booklet, entitled "My Price Ceiling Record, Property of Mary Doe, 248 Walnut Street, pledged to do my part on the Home Front by 100% support of the Wartime Prices and Trade Board policies and regulations" has been distributed. The pages of this booklet provide blank columns in which details of the type of article, the base period price, any increase in price, and dates of purchase and name of store may be filled in. Women are urged, however, to remember they are not "Policewomen". Approximately 250,000 of these booklets have been distributed. These books have not been distributed on a mass distribution basis or through mailing lists. They have been distributed through the thirteen regional committees and by them through women's clubs, churches and other organizations directly and personally to women. The Board believes that the method is of value and will continue to be an effective means of promoting compliance. There is skepticism in some quarters, however, and it is open to question whether the average consumer has sufficient training or knowledge to ascertain legal prices or violations. It has been pointed out, however, that merchants are less apt to violate the law and run the chance of being caught if they know consumers are keeping actual records of the prices they pay. Opinion is divided regarding the existence of extensive or undesirable resentment on the part of retailers.

In general, however, the work of the regional women's committees and the groups under them is considered of real value. They will be able to discipline and organize the price-record program, sift through reports of price violations, and report and take action on price situations. It is felt that intelligent consumer complaints will be more apt to be sent in to such organizations than if the only channel of complaints were the local police or enforcement force.

The Board has implied that the severe penalties for violations and the more drastic measures of enforcing compliance provided for in the regulations will not be invoked except as a last resort. It has also been indicated that it had not intended to institute a very thorough program of inspection, investigation and enforcement during the first few months of the ceiling. The authorities believed that many of the temptations to evade the regulations would be eliminated during this period of adjustment through the economy and standardization program, the payment of subsidies, and authorized price adjustments; and that many of the violations and evasions in this period would be due to temporary maladjustments or ignorance. The Board felt that the chance of maintaining the ceiling successfully depended greatly on the reaction of the public and industry during the first few months. A general belief that the ceiling was effective and was being observed would engender in itself continuing and greater compliance and public support and vice versa. Fundamentally, no matter how drastic or extensive the regulations and how efficient and extensive the enforcement means and staff are, compliance and the prevention of black market transactions depends on voluntary business and public cooperation.

The general price ceiling has been in operation for five months. The Board has stated that by and large compliance has been universal and that the regulations have been effective. Relatively few violations have been discovered and nearly all the prosecutions have been for minor infractions of rent control and sugar rationing. Only a few prosecutions for violation of the price ceiling have been instituted.

The very general standards and informal types of control coupled with a very small inspection service and enforcement staff would appear to indicate that despite the great powers of regulation possessed by the Board, the effective administration and enforcement of the controls would be difficult if not impossible. It would appear perhaps impossible to determine the existence and extent of violation and evasion, particularly since the price ceiling applies to individual seller's prices, which are not clearly and easily determined. There are, however, other tests of compliance, such as price indices, statistics of inventories, distribution and sales, and consumer complaints. Granted that price indices, for example, are not ideally reliable and satisfactory, and may not show black market transactions or other evasions, both price and non-price tests indicate that the price ceiling has been generally effective.

According to available information, no black markets have developed, although it would seem probable that they would appear as real shortages develop. Although the Board intends to extend and stiffen enforcement methods, it is doubtful if any detailed plans are yet available. The problem or problems will be dealt with informally or formally as the occasion arises.

f. Control of Terms or Conditions of Sale and Concealed Price Increases

The Maximum Price Regulations prohibit the imposition of any terms or conditions of sale, or the alteration of any terms or conditions of sale prevailing during the base period "in such a way as to increase the prices of any goods or services". Changes in non-price services, bonuses, and discounts resulting in material increases and/or evasions of ceiling prices are therefore violations of the regulations. No other specific measures have been introduced.

The following instances of rulings on specific cases are given. The Administrator of Services ruled that railways were not entitled to discontinue the services of free unloading and delivery (unless the consignee agrees to absorb the charge). (This is also an illustration of the policy of the Board to approve price increases at the manufacturing and wholesale level voluntarily agreed to by the parties concerned provided such an increase does not affect the retail price ceiling). The Dairy Products Administrator ruled that free transportation from the factory to the assembling point would be considered an illegal premium under Section 4 of Order 65, Respecting Cheese, and therefore, a puncturing of the ceiling and an evasion of the regulations through the provision of extra services. The Dairy Products Administrator also ruled that the practice of a cheese factory agent becoming a licensed buyer on a cheese board and buying his own factory's cheese to be resold later at a higher price was a violation of the Maximum Prices Regulations. It was stated that nothing in the Wartime Prices and Trade Board's regulations authorizes any person to increase the number of transactions beyond those absolutely necessary to the economical distribution of the product.

g. Publicity Methods

The chief function of the general licensing system is not primarily to enforce the controls but to provide a general registration of business to be used as a mailing list for sending information to businesses affected by particular regulations. For this purpose, licensees are classified on addressographs. Two general types of bulletins -- Wholesalers' Bulletin and Retailers' Bulletin -- are published, to date irregularly, and circulated among the trade. Commodity Administrators also plan to publish and distribute bulletins dealing with regulations covering a particular commodity although only one or two have been issued to date.

There has been some dissatisfaction with the methods and effectiveness of transmitting adequate information on price adjustments and regulative provisions to manufacturers, wholesalers and retailers. Merchants have complained that they are not advised promptly; frequently have to learn of regulations applying to them second-hand from incomplete and in some cases inaccurate press reports or from other manufacturers or dealers; and do not understand many of the Board's rulings or policy statements. The necessity of the prompt and adequate communication of regulations to business and provision for adequate handling of inquiries is one of the most important factors in effective price control. It can be done either through printed bulletins circulated on the basis of a mailing list, or through trade associations, or through local price offices or a combination of all three.

A new Canadian trade organization, the Canadian Retail Federation, has been organized with the chief purpose of cooperating with the Government to make the price ceiling effective and successful and providing a means of informing the Board regarding complaints and problems of the trade. The Board has approved the new organization and intends to rely on it as a means of contact with the trade.

A Public Information Branch has been set up, one of whose chief functions is to provide material for the press. A number of leading Canadian newspapermen have been loaned by their newspapers to administer this program. The Information Branch has thirteen field representatives attached to the regional offices. One of the first steps taken after the announcement of the price ceiling was a meeting of representative Canadian newspaper editors and publishers from every part of the country to discuss the part that the press might play in promoting the success of the ceiling. A "features" section was organized to handle press, radio and film publicity. This section works very closely with the Canadian Broadcasting Corporation and the National Film Board. A Public Contacts Section was set up to provide material and promote educational programs. This section is organizing a series of speaking programs through the cooperation of the various Canadian Service Clubs. Rather than supplying these clubs with a corps of trained speakers, a speaker's handbook is now being prepared which will be supplied to various clubs, e. g., Kiwanis, Rotary, Lions', Kinsmen, etc. It is thus anticipated that a corps of speakers, well-known to the people in their particular clubs, will be available within each organization.

Special emphasis is placed on educational campaigns among women's organizations and this program is carried out through the Consumers Representation Branch and thirteen regional committees (See III c).

h. Control of Advertising

The Board has the power to prescribe the terms and conditions under which any goods are sold, supplied or offered for sale, either on a cash or a credit basis. The Wartime Prices and Trade Regulations specifically granted the Board power to "prohibit transactions or advertising" except in accordance with regulations issued prescribing terms and conditions of instalment sales. Furthermore, the general power of the Board to regulate "terms and conditions" of sale is interpreted to cover advertising. The advertising of goods for sale on terms which violate the price regulations would constitute a violation of the regulations. It is reported that the Board gives careful consideration to the factor of advertising costs in relation to the price ceiling. It has been firmly impressed on manufacturers and merchants that they might well afford to cut down on advertising since they were operating in a seller's market. According to reports the Board intends to encourage or require, as the case may be, the reduction of advertising expenses as a means of enforcing the ceiling, securing reductions in costs and preventing cost increases. It is understood that the request of one group of manufacturers for a price increase on the grounds that their volume of production had been officially curtailed was refused by the Board largely because it was felt the industry could absorb the increase in costs by a reduction in their large advertising expenditures.

The order regulating consumer credit prohibits the advertising of an article subject to the regulations on terms contrary to the provisions of the order. The cash price must be advertised with equal or greater prominence as the credit price in the same advertisement. Advertising a stated amount for a trade-in is also forbidden.

The government has also taken steps to prevent "scare" advertising. Shortly after the outbreak of war, the Prices Board made informal arrangements with the Canadian Daily Newspaper Association and with an association of Canadian advertising agencies under which they persuaded their members to scrutinize advertising matter submitted to them and to reject scare advertising as much as possible.

The most drastic step taken to control advertising is the recent ruling of the Controller of Supplies, effective April 2, 1942, prohibiting merchants from displaying in store windows or advertising a broad range of rubber products including many kinds of boots and shoes, "drug store" items, "hardware" items, e. g., garden hose, door stops, etc., clothing, e. g., rain coats, babies' wear and floor covering, sporting goods and toys, and stationery.

i. Coordination of Supply, Production, Price and Rationing Controls.

One of the most important characteristics of Canadian wartime economic controls is the very close coordination of all the various controls. This has been achieved by a progressive centralization of the important types of control both on a functional basis and on a commodity basis. Where complete centralization is not achieved by granting the control powers to one organization or agency, close coordination is secured through the administrative device of interlocking personnel and a number of general coordinating and advisory committees.

The control of industrial production especially war production, the procurement of war material, and the control of the supply and allocation of raw materials is centralized in the Department of Munitions and Supply and under it the Wartime Industries Control Board and government corporations created to purchase and allocate certain raw materials and to produce certain munitions. The power to control all prices and to ration is centralized in the Wartime Prices and Trade Board which is also administering the program of industrial rationalization, simplification and standardization in connection with the production of civilian goods. All the twelve controllers have been appointed Administrators under the Prices Board and in this capacity they control the prices of the commodities whose supply and production they control as Controllers under the Department of Munitions and Supply. Although agricultural prices are subject to the Prices Board, control of production and distribution has been placed under a number of special Boards. Coordination is further achieved by delegating to the Controllers and the Prices Board the power and duty to recommend the reduction of duties or taxes and measures to restrict or promote exports or imports. Their recommendations are usually approved. The Prices Board also directs the administration and policy of the subsidy program. The necessity of a close coordination of price control with fiscal controls has been recognized by the government by placing the Prices Board under the Minister of Finance.

j. Exemptions and Exceptions

Seven categories of goods, constituting special cases of relative unimportance, were exempted in the original ceiling order: exports; sales to the Department of Munitions and Supply or its agencies; sale of personal or household effects; isolated sales by persons not in business of selling such goods or services; sale of personal or household effects; bills of exchange, securities, title deeds and other similar instruments; customary sales at auction; any price fixed by Board or by any authority with approval of Board.

The exemption of exports from the domestic price ceiling was based on the desire to acquire as much foreign exchange, particularly dollar exchange, as possible. Export restrictions or complete embargos may be put into effect to prevent any undesirable draining of the domestic market due to high export prices. The export of both onions and potatoes has been virtually prohibited because high export prices had resulted in a serious domestic shortage. An exception to this policy is found in the instance of fish. When the level of fish exports threatened domestic supplies, the domestic ceiling was lifted instead of instituting an embargo on exports. This action was in line with the policy of relaxing the price ceiling in respect of primary producers and depressed primary industries. One of the major headaches of the Board at the moment is the problem of how to deal with the withholding of beef cattle from the domestic market, which has resulted in an increasingly acute meat shortage. Canadian farmers are taking advantage of higher prices in the United States. The farm groups are vigorously resisting suggestions that exports be prohibited or restricted and farmers and processors are demanding that the domestic ceiling be lifted. The problem has become a political issue.

The exemption of government purchases from the ceiling is to ensure that there be no delay in ordering and securing essential war supplies. In many instances, special circumstances of time, design or supply may warrant price differences for government orders. Prices paid by consumers would not,



of course be affected by higher prices to the government, although such prices would be definitely inflationary in effect.

The remaining exemptions from the original order have been made for obvious reasons and are not significant.

A number of commodities, almost entirely agricultural, have been exempted partially or wholly by separate Board orders. Because of the special political and economic problem of the farmer, the necessity for encouraging agricultural production, and the special problem of seasonal and perishable agricultural products, the Board has relaxed the ceiling provisions for a number of agricultural products and services. Fresh fruits and vegetables have been entirely exempted from the ceiling. The Board is prepared, however, to regulate even these prices if they rise to unreasonable levels and has already fixed maximum prices for potatoes and onions. Furs and garments made wholly of fur, a wide range of seeds and bulbs, live animals, hay and straw, fish, and temporarily certain kinds of lamb, are also entirely exempted from the ceiling. Livestock, poultry, eggs and dairy products are exempted at all but the retail level, and a variety of agricultural services and transactions (exchanges, barter or sales) between primary producers have also been exempted.

Exceptions in the form of price adjustments upwards are permitted at all levels but the retail level (and in individual cases of retail prices as discussed below) provided the parties concerned guarantee that the retail ceiling price can and will be maintained. Such price increases may be instituted by the manufacturer or wholesaler without prior approval by the Board by means of voluntary agreements. But they must be filed with the administrator and must receive his ultimate approval. Price increases at these levels may of course also be authorized on the initiative of the Board or Administrator. The retail trade administrator has the power to authorize specific retail price increases by individual retailers in cases where the base period prices of specified goods are abnormally low in relation to prices charged by other retailers for the same or similar goods. The Administrator of Retail Trade has already authorized more than 2,000 individual upward adjustments. He reports that he feels that this situation is being handled as rapidly and satisfactorily as required.

In the case of services, the ceiling only applies to a wide range of specified services, although the Board has the power to extend the ceiling to any service it may designate or to exempt services subject to the ceiling. At present, only the following services are subject to the ceiling: the supplying of electricity, gas, steam heat and water; telegraph, wireless and telephone services; the transportation of goods and persons, and the provision of dock, harbour and pier facilities; warehousing and storage; undertaking and embalming; laundering, cleaning, tailoring and dressmaking; hairdressing and beauty parlour services; plumbing, heating, painting, decorating, cleaning and renovating; repairing of all kinds; the supplying of meals, refreshments and beverages; the exhibiting of moving pictures; process manufacturing on a custom or commission basis; services performed by optometrists and opticians.^{1/}

^{1/} P.C. 8527, and Board Orders No. 66 & 96.